



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

1100 Commerce Street
Dallas, TX 75242

501.03-00

**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

Date: July 2, 2012

Number: **201252023**
Release Date: 12/28/2012

LEGEND

ORG - Organization name

XX - Date Address - address

Person to Contact:

Badge Number:

Contact Telephone Number:

Contact Address:

Employer Identification Number:

CERTIFIED MAIL

Dear

This is a final adverse determination regarding your exempt status under section 501(c) (3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated March 19XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

You have failed to produce documents to establish that you are operated exclusively for exempt purposes within the meaning of Internal Revenue Code section 501(c)(3). You have not provided any information as requested and as required by Treas. Reg. 1.6033-2. You stated that you have been inactive since 20XX, and that you have ceased any activities. As such, you are not operating exclusively for exempt purposes

Section 1.6033-2(h)(2) of the Income Tax Regulations provides, in part, that every organization which is exempt from tax, shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt status. You have not provided the requested information.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code, effective January 1, 20XX.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the year ending December 31, 20XX and for all the tax years thereafter in accordance with instructions of the return.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: United

States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia. A petition in one of these three courts must be filed before the 91st day after the date that this determination was mailed to you if you wish to seek review of our determination. Please contact the clerk of the respective court for rules regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. You may write to the United States Tax Court at the following address:

Please understand that filing a petition for a declaratory judgment under IRC section 7428 will not delay the processing of subsequent income tax returns and assessment of any taxes due.

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll free, 1-877-777-4778, and ask for the Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Taxpayer Advocate assistance cannot be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

This letter should be kept within your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosures:
Publication 892

Internal Revenue Service

Tax Exempt and Government Entities Division
Exempt Organizations: Examinations
300 N. Los Angeles Street MS 7300
Los Angeles, CA 90012

Department of the Treasury

Date: November 4, 2011

LEGEND

ORG - Organization name
XX = Date Address = address

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

ORG
ADDRESS

Certified Mail – Return Receipt Requested

Dear

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code 501(a) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any

proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

Form 886-A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer ORG		Year/Period Ended December 31, 20XX

LEGEND

ORG - Organization name XX - Date Address - address City - city
State - state Treasurer - treasurer Phone - phone

ISSUE:

Should ORG (ORG) Federal tax exempt status under section 501(c)(3) of the Internal Revenue Code be revoked for failure to provide information to the Internal Revenue Service to demonstrate that it is operating in accordance with its exempt purposes?

FACTS:

ORG was incorporated as a State nonprofit public benefit corporation in July 19XX. In or around 19XX, ORG applied for Federal tax exempt status under section 501(a) of the Internal Revenue Code. In September 1996, ORG was recognized as an organization exempt from Federal income tax under section 501(a) of the Internal Revenue Code and was described in section 501(c)(3) of the Code. The 20XX tax return reports that the organization's primary purpose is to provide housing and treatment for troubled youths.

According to the information posted on the State Secretary of State website, the corporation is active. ORG's place of business is shown as Address, City, State. Its treasurer, Treasurer resides in City State. The location of the other officers and directors is unknown.

ORG employs a calendar year. ORG has a Form 990, Return of Organization Exempt from Income Tax, filing requirement; however, ORG has not filed a Form 990 since the tax year ending November 16, 20XX. ORG also has a Form 941, Employer's Quarterly Tax Return, filing requirement; yet, ORG has not filed a Form 941 since the quarter ending on December 31, 20XX.

The *Certification of Election to Wind Up and Dissolve* and *Certificate of Dissolution* have not been filed with the State Secretary of State. The final Form 990 to terminate the organization and a written statement of the dissolution of assets has not been filed with the Internal Revenue Service. The Attorney General of the State of State shows the charity organization registration status is current. The date of last renewal was December 24, 20XX.

The Service mailed ORG notification of the examination in a letter dated February 15, 20XX to the address shown on the 20XX Form 990, which is Address, City, State. The letter explained the purpose of the examination and requested information needed for the examination. On February 24, 20XX, the US Postal Service returned the letter as undeliverable.

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Name of Taxpayer ORG		Year/Period Ended December 31, 20XX

On May 20, 20XX, the Service mailed the notification of examination letter a second time. The letter was mailed to the officer's address as shown on the 20XX Form 990, which is Address, City, State. On June 2, 20XX, the Agent attempted to call ORG at phone number PHONE. This phone number was a non-working number.

On June 2, 20XX, the Service mailed the notification of examination letter a third time. The letter was mailed to Address, City, State. A copy of the letter was also sent to the Bloomington address at 19118 Ash Street by certified mail. On June 7, 20XX the US Postmaster delivered a postal tracer that showed that ORG had left the post office box and left no forwarding address. On June 20, 20XX, the US Postmaster delivered a postal tracer that showed that ORG left the Bloomington address and did not provide a forwarding address. On June 29, 20XX, both letters that were sent by certified mail were returned by the US Post Office as undeliverable.

On June 20, 20XX, the Service located phone numbers for Treasurer, the Treasurer of the organization. The agent called phone number PHONE and PHONE and spoke with Treasurer. Treasurer informed the agent that he had not received the letters and that the organization was closed in 20XX and no longer in operations. He stated that ORG closed because it was losing money. All cash was used for expenses. The other assets consisted of an automobile, furniture, and machinery. The assets were sold to pay debts. However, the proceeds were little because the assets were destroyed by the youth and had little to no value. The assets that were salvageable were donated to charity. However, most assets were destroyed by the youth and could not be donated. ORG ended in debt. The accounts receivable could not be collected. The Treasurer stated he planned to file a final return and agreed to do so.

On July 8, 20XX, the Agent left a voice mail that requested final return be filed with the agent and stated that an Information Document Request would be mailed to request it. The Service mailed an Information Document Request(IDR) dated July 8, 20XX by certified mail to Treasurer's address at Address, City, State. The Information Document Request requested the final return and a penalty relief statement if applicable. The US Post Office returned the certified mail as undeliverable on August 4, 20XX because attempts to contact the recipient did not receive a response.

On August 4, 20XX, the Agent spoke with Treasurer by telephone and confirmed the address that the certified mail was sent to as correct. Treasurer explained that he has been away from the address the certified mail was sent to. Additionally, he had a corrupted computer data file and was attempting to reconstruct information to prepare a final return. The Treasurer expected to submit the final return in two weeks.

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Name of Taxpayer ORG		Year/Period Ended December 31, 20XX

On August 6, 20XX, the Service resent the Information Document Request for the final return and penalty relief statement by US Mail with a due date of August 28, 20XX. It was not returned by the post office. The final return was not provided.

On September 13, 20XX, the Service sent a revocation notice letter to the organization with a copy of the examination notice letter and Information Document Request both dated February 13, 20XX by certified mail. These items were mailed to the Treasurer Treasurer's address at Address, City, State. A response was requested by September 30, 20XX.

On September 20, 20XX, the Service received a signed certified mail return receipt, US Post Office Form 3811. The certified mail receipt showed the treasurer's signature for the revocation notice letter on September 16, 20XX. Neither a response, nor a final return was received by September 30, 20XX.

In the revocation notice letter dated September 13, 20XX, the Agent advised ORG that section 1.6033-2(i)(2) of the Regulation and Revenue Ruling 59-95, 1959-1 CB 627 requires every organization which is exempt from tax to submit additional information upon request by the Internal Revenue Service. Failure to comply with such request could result in ORG's Federal tax-exempt status being revoked because ORG has not established that it was observing the conditions required for the continuation of exempt status. In order to avoid such adverse action, ORG must provide the requested information or contact the Agent to resolve the issue. To date, ORG has failed to provide the Agent with the requested information knowing that such failure could result in loss of Federal tax-exempt status.

The Agent has made adequate attempts to contact ORG, and its Treasurer, Treasurer. The Agent has not received the requested information. To date, Treasurer has failed to respond to the Agent.

LAW:

Section 501(c)(3) of the Internal Revenue Code exempts from Federal income tax corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of

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statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

Section 1.6033-2(i)(2) of the Income Tax Regulations provides, in part, that every organization which is exempt from tax shall submit such additional information as may be required by the Internal Revenue Service for the purposes of inquiring into its exempt status.

Revenue Ruling 59-95, 1959-1 CB 627 provides that a failure to file required information return or comply with the provision of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of an exempt status.

GOVERNMENT'S POSITION:

Treasury Regulation section 1.6033-2(i)(2) provides, in part, that every organization which is exempt from tax, whether or not it is required to file an annual information return, must submit additional information upon request by the Internal Revenue Service for the purpose of inquiring into its exempt status and administering the provisions of subchapter F, Chapter 1 or subtitle A of the Code, IRC section 6033, and Chapter 42 of subtitle D of the Code.

The information that the Service requested is material in establishing ORG's right to maintain its exempt status. An organization, to be qualified as an entity described in section 501(c)(3) of the Internal Revenue Code or in certain other categories of tax-exempt organization, must be organized and operated so that no part of its net earnings inures to the benefit of any private shareholder or individual. The essence of the concept is to ensure that a tax-exempt charitable organization is serving a public interest and not a private interest.

Section 1.6033-2(i)(2) of the Regulation and Revenue Ruling 59-95, 1959-1 CB 627 requires every organization which is exempt from tax to submit additional information upon request by the Internal Revenue Service. The Service has requested ORG to provide information for the purposes of inquiring into its exempt status. The requested information was material in determining whether ORG continues to qualify for Federal tax exempt status under IRC section 501(c)(3). The Service has given ORG adequate opportunities to provide the requested information and has advised ORG of the consequences for failing to provide the information. ORG chose to ignore the Service's request for information knowing that such refusals to provide the requested information may result in the loss of its tax-exempt status. By not providing the requested information, ORG has failed to demonstrate that it is observing the conditions for

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continued exemption. Therefore, ORG's Federal tax exempt status under IRC section 501(c)(3) should be revoked effective January 1, 20XX.

TAXPAYER'S POSITION:

ORG's position is not known at this time.

CONCLUSION:

By not providing the requested information, ORG has failed to establish that it is observing the conditions for continued exemption. Therefore, ORG's Federal tax exempt status under IRC section 501(c)(3) should be revoked effective January 1, 20XX.